

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
U.S. Customs Service's
Annual Reporting of Fiscal Year 2001
Drug Control Funds**

OIG-02-039

February 01, 2002



Office of Inspector General

The Department of the Treasury

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U.S. Customs Service's Annual Reporting of Fiscal Year 2001 Drug Control Funds

Abbreviations

Customs	United States Customs Service
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code



Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

Robert C. Bonner
Commissioner
United States Customs Service

We have reviewed management's assertions in Section B of the accompanying U.S. Customs Service (Customs) Annual Reporting of FY 2001 Drug Control Funds (Submission).

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Annual Accounting of Drug Control Funds"* (Circular), and is the responsibility of Customs' management.

In FY 2001, Customs made modifications to its drug methodology, as noted in Section A.2 of the Submission. Although these modifications have been approved orally by the ONDCP, written approval is pending. Customs has disclosed the modifications in its Annual Reporting of Fiscal Year 2001 Drug Control Funds.

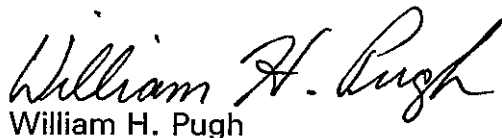
Based on our review, nothing came to our attention that caused us to believe that management's assertions included in Section B of

the accompanying Submission are not fairly stated in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of Customs, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Your staff has reviewed our report, and have no comments. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Tom Moschetto, Director, Financial Management Audits, at (202) 927-5074. We appreciate the cooperation and the courtesies extended to our staff during the course of our review.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

January 19, 2002

Financial Management Audits Division

Thomas Moschetto, Director
Sunday Okurume, Audit Manager
Edward Thomas, Auditor

The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget
Deputy Chief Financial Officer

U.S. Customs Service

Commissioner
Assistant Commissioner, Office of Finance
Director, Evaluation Oversight, Office of Planning
Executive Director, Budget Division, Office of Finance

Office of Management and Budget

OIG Budget Examiner

Rec'd 12/5/01
6:00**U.S. Customs Service***Memorandum*

DATE: DEC 4 2001

FILE: BUD-1-OF:BD:FO JLP

TO: James R. Lingeback
Deputy Chief Financial Officer
Department of the Treasury

FROM: Executive Director, Budget
Office of Finance

SUBJECT: Annual Reporting of Fiscal Year 2001
Drug Control Funds

The U.S. Customs Service Annual reporting of FY 2002 Drug Control funds is attached.

Should there be any questions, please contact Kurt Hahn, Director, Budget Formulation Division at 202 927-4084.

A handwritten signature in cursive script, reading "Carol A. Johnson".
Carol A. Johnson

Attachment

cc: Anna Dixon
Carl Moravitz

TRADITION

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SERVICE

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HONOR

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
Annual Reporting of FY 2001 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2001 Drug Control Obligations

(Dollars in Millions)

<u>Drug Resources by Goal:</u>		<u>FY 2001</u>
Goal 2		\$ 66.186
Goal 4		487.657
Goal 5		145.721
TOTAL		699.564
<u>Drug Resources by Function:</u>		
Intelligence		26.433
Interdiction		494.250
Investigations		175.570
<u>Research and Development</u>		3.309
TOTAL		699.564
<u>Drug Resources by Decision Unit:</u>		
Salaries and Expenses		560.950
Operations and Maintenance		138.614
Violent Crime Reduction Trust Fund		0
<u>Facilities, Construction and Improvements</u>		0
TOTAL		699.564

1. Drug Methodology

Four organizations within Customs, the Office of Investigations, the Office of Field Operations, the Office of Information Technology (Applied Technology Division), and the Office of Training and Development were provided with a copy of the December 17, 1999, Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds. These offices were asked to estimate, on the basis of their expert opinion, what portion of their activities is related to drug enforcement. In addition, they were also asked to only provide data for obligations against budget authority that became available in FY 2001. This was an oversight of last year's submission, and it is hoped that this will provide a more meaningful basis for comparison to budget authority, which is only reported to ONDCP if it becomes available in a given year.

All four organizations identified resources in their financial plans that support the drug enforcement mission of the agency, we deemed the mission support of the Office of Training, while vital to the Customs Service, not entirely drug related. As a consequence, the Office of Training and Development estimates were excluded from this year's submission. In our FY 2000 submission, the Office of Training estimated that they spent \$12.1 million on drug control efforts.

OFFICE OF INVESTIGATIONS

The Office of Investigations can be broken down into two basic resource components, those that support the Air and Marine Interdiction function and those that support the remaining investigative function. The Office of Investigations identifies and tracks the hours that its agents spend on a wide variety of cases, including narcotics smuggling and money laundering cases related to narcotics smuggling.

Based on the relationship between total investigative hours spent and those spent on narcotics and money laundering cases, subject matter experts have concluded this year that 62.9 percent of investigative resources are dedicated to the Customs drug enforcement mission and support the goals of the National Drug Control Strategy. Of this amount, 10.8 percent supports goal 2, 52.1 percent supports goal 4, and 27.1 percent supports goal 5 of the *Strategy*.

Investigative resources supporting goal 2 and goal 4 are broken down further into a 25/75-percentage split for the interdiction and investigative functions respectively. Goal 5 totally supports the investigative function.

Resources that support the Air and Marine Interdiction program are considered to be 95 percent drug related. This amount totally supports goal 4 of the *Strategy* and the interdiction function.

OFFICE OF FIELD OPERATIONS

The Office of Field Operations has identified 1,742 Inspector positions that are specifically identified with drug enforcement because they are either Contraband Enforcement Team (CET) Inspectors, Outbound Enforcement/ Currency Team Inspectors, Currency Canine Enforcement (CEO) Officers, Narcotics CEOs. The salaries of these positions are assumed to be \$60,000 per annum and to contribute 100 percent of their time to drug enforcement.

There are 6,431 other Customs Inspectors that, in addition to the interdiction of contraband and illegal drugs, also enforce the 400 laws and regulations of many other Federal government agencies such as the Animal, Plant and Health Inspection Service (APHIS), the U.S. Fish and Wildlife Service, the Bureau of Alcohol, Tobacco, and Firearms (ATF), and the Bureau of Export Administration to name a few.

Last year, the U.S. Customs Service did not have a certifiable methodology to determine what portion of an Inspectors' time is attributable to drug enforcement if that Inspectors' duties were not specifically identified. Initially, 41 percent was used because that approximates the drug enforcement efforts of Inspectors processing passengers and most of the other Inspectors that the Office of Field Operations identified examine cargo. However, this percent does not take into account the wide variety of activities performed by an Inspector. Therefore, the effort of a "non-specific" Inspector has been lowered this year to 30%. This is consistent with the percent attributed to the direct support of an Inspector and captures more realistically captures the wide variety of enforcement activities, drug and non-drug, that a Customs Inspector performs.

Total drug resources for Field Operations support goal 4 of the *Strategy* and are further broken down into a 12/88-percentage split between the Intelligence and Interdiction functions.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology, which oversees the research, development, acquisition, and support and maintenance of technology such as non-intrusive inspection systems through its Applied Technology Division (ATD), supports the Customs drug enforcement mission.

The Office of Information Technology estimates that 90 percent of base resources, 95 percent of research and development resources, 94 percent of acquisition resources, and 85 percent of support and maintenance resources are dedicated to drug enforcement and support goal 4 of the *Strategy*.

2. Methodology Modifications

- (a) In a departure from the approved methodology that ONDCP approved in February 2001, the Office of Training has been excluded from this year's estimates. If Customs had reported the Office of Training and Development estimates, obligation estimates would increase by approximately \$12 million.
- (b) For this submission, Customs Offices were specifically instructed to only estimate obligations against budget authority appropriated in FY 2001. We believe that this was an oversight of last year's submission and wish to correct it in this submission. As a result, this year's data provide a more reasonable basis for comparison against the estimate of FY 2001 budget authority that was reported to ONDCP in January 2001, \$721.6 million. If Customs had reported obligations against this additional budget authority this year, obligation estimates would have increased by \$72 million.
- (c) Last year's submission used 41% to characterize the contribution to drug enforcement activities of Inspectors that had not been specifically identified as supporting the Customs drug enforcement mission. In this submission, that number is lowered to 30%. If 41% had been used Customs obligation estimate would have increased by \$42.5 million.

Overall, these changes lower the Customs obligation estimates in this submission by \$120-\$130 million, but we believe that they more fairly characterize our efforts and provide a better point for comparison against past estimates. We will be seeking any needed approvals from ONDCP for changes in methodology.

The following changes affected the distribution of resources between goals and functions, but not the overall amount:

- (d) In this submission, the Office of Field Operations changed its Intelligence-Interdiction functional split from 10%/90% to 12%/88%. This will fluctuate from year to year. In addition, this year's submission correctly attributes all Canine and Inspector resources specifically identified as enforcing currency laws to Goal 2, not Goal 4 as was the case in last year's submission. As a consequence, there has been a permanent shift of \$26 million from Goal 4 to Goal 2. This shift will be acknowledged in future drug budget estimates.
- (e) Based on its examination of case hour data, the Office of Investigations attributes 63% of its non-Air and Marine Interdiction activity to drug enforcement. Last year, that percent was 66%. This estimate will also fluctuate from year to year based on the casework that Customs Special Agents conduct.

3. Material Weakness or Other Findings

None

4. Reprogramming or Transfers

None

B. Assertions

1. Drug Methodology

Per our discussions with the Office of National Drug Control Policy and the Office of Management and Budget, the drug methodology used to estimate obligations and FTE utilization is reasonable and accurate. The criteria associated with this assertion are as follows:

a. Date

The estimate of drug enforcement related costs is based on the methodology described in section A.1 above. While there have been certain adjustments made to the methodology that ONDCP approved on February 13, 2001, these are seen as necessary to present a fair and accurate picture of the Customs drug enforcement mission.

b. Other Estimate Methods

None

c. Completeness

All the direct United States Customs Service drug-related activities are presented in this report.

d. Financial Systems

The United States Customs Service financial systems are capable of providing data that fairly present, in all material respects, aggregate obligations. The drug methodology described in section A.1 above is used to estimate what portion of these obligations may reasonably be considered to be associated with drug enforcement related activities.

2. Application of Methodology

The methodology described in section A.1 above was used to prepare the estimates contained in this report.

3. Financial Plan - Including Reprogramming or Transfers

No changes were made to the Customs Service Financial Plan that required ONDCP approval per the ONDCP Circular dated December 17, 1999.